

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, CA 95814



February 28, 2005

FOSTER CARE AUDITS AND RATES LETTER (FCARL) NO. 2005-01

TO: ALL GROUP HOME PROVIDERS
ALL COMMUNITY TREATMENT FACILITY PROVIDERS
ALL FOSTER FAMILY AGENCIES
ALL REGIONAL CENTER GROUP HOMES
ALL REGIONAL CENTER FOSTER FAMILY AGENCIES
ALL COUNTY WELFARE DIRECTORS
ALL COUNTY CHIEF PROBATION OFFICERS

SUBJECT: ASSEMBLY BILL (AB) 1752 (CHAPTER 225, STATUTES OF 2003)
SENATE BILL (SB) 1104 (CHAPTER 229, STATUTES OF 2004)
AB 2005 (CHAPTER 656, STATUTES OF 2004)

This letter is to advise group home and foster family agency (FFA) providers of various legislative changes that occurred this year and last State fiscal year (FY).

AB 1752 - Biennial Rate Setting

As providers may recall, AB 1752, (Chapter 225, Statutes of 2003) enacted statute which requires the California Department of Social Services (CDSS) to establish rates for group homes and foster family agencies on a biennial basis (see FCARL 2004-01, dated February 4, 2004). The filing dates for rate applications/rate requests are to be on a schedule determined by CDSS. These statutory amendments can be found in Welfare and Institutions Code (W&IC) Section 11462(a)(3)(A) and Section 11463(i). Additionally, the legislation allows CDSS to develop regulations for implementation of the biennial process on an emergency basis.

The CDSS is currently drafting emergency regulations which will outline the revised rate application filing requirements. Notice of the emergency regulations will be provided via the regulation adoption process.

In the interim, on-going providers who received a rate letter for FY 2003/04 will continue to have that rate remain in effect until the next filing due date, as determined by CDSS in accordance with the emergency regulations currently being drafted. All other providers who have received a rate letter since that date shall continue to receive those rates until the next announced filing date. In the event the Legislature enacts a change in the rates for group homes and foster family agencies during this period, a notice of that change will be provided to all parties impacted by the change. Furthermore, all rates will continue to be subject to existing audit requirements.

Providers are reminded to immediately notify the Foster Care Rates Bureau (FCRB) of any changes in their program and/or corporate structure, such as changes of board members. The FCRB must also be notified if the corporation ceases to operate as a non profit corporation. Failure to do so may result in penalties and possible rate termination.

SB 1104 – Budget Act Changes

Rate and audit changes are required by SB 1104 (Chapter 229, Statutes of 2004). This bill was the Budget Act bill for FY 2004/05. The first change relates to the group home rate structure. SB 1104 amended W&IC Section 11462(f)(2)(A) to extend temporary rate relief for FY 2004-05. This statute requires that for group home programs that receive Aid to Families With Dependent Children-Foster Care (AFDC-FC) payments for services performed during FYs 2002-03, 2003-04, and 2004-05 the adjusted rate classification level (RCL) point ranges reflected below be used for establishing the biennial rates for existing programs; performing program audits; and in determining any resulting rate reduction, overpayment assessment, or other actions. The point range in each RCL has been slightly decreased as follows:

RCL	Current Point Ranges	Adjusted Point Ranges FY 2004-05	Standard Rates FY 2004-05
1	Under 60	Under 54	\$ 1,454
2	60 - 89	54 - 81	\$ 1,835
3	90 - 119	82 - 110	\$ 2,210
4	120 - 149	111 - 138	\$ 2,589
5	150 - 179	139 - 167	\$ 2,966
6	180 - 209	168 - 195	\$ 3,344
7	210 - 239	196 - 224	\$ 3,723
8	240 - 269	225 - 253	\$ 4,102
9	270 - 299	254 - 281	\$ 4,479
10	300 - 329	282 - 310	\$ 4,858
11	330 - 359	311 - 338	\$ 5,234
12	360 - 389	339 - 367	\$ 5,613
13	390 - 419	368 - 395	\$ 5,994
14	420 & Up	396 & Up	\$ 6,371

This temporary RCL point reduction is subject to the following restrictions: 1) it applies only to non-provisional program audits performed of services provided in FYs 2002-03, 2003-04, and 2004-05; and 2) the adjusted schedule does not apply to the establishment of provisional rates or to program audits of group home programs with

provisional rates. For provisional rates and rate audits, the current statutory point ranges specified in W&IC Section 11462(f)(1) shall continue to apply and providers shall remain responsible for ensuring the health and safety of children placed in their programs.

The second change mandated by SB 1104 deals with the term self-dealing lease transaction for shelter costs. Under existing law, any group home provider with a self-dealing lease transaction for shelter costs, as defined in Section 5233 of the Corporations Code, is not eligible for an AFDC-FC rate. SB 1104 clarifies the term self-dealing lease transaction for shelter costs and eliminates the term "affiliated lease" from statute. SB 1104 eliminates any confusion which may have previously existed with the use of the term "affiliated lease."

Finally, the last change mandated by SB 1104 effects the partial reimbursement of financial audit costs for eligible group homes and FFAs. Specifically, SB 1104 which became effective August 16, 2004, eliminates any financial audit cost reimbursement, regardless of a provider's licensed capacity or revenue. Previously, pursuant to W&IC Section 11466.21(c), group home providers with a total licensed capacity of 12 beds or fewer who received less than \$300,000 in combined federal funds in their most recent fiscal year and FFAs who received less than \$300,000 in combined federal funds in their most recent fiscal year were eligible to receive partial reimbursement of the cost of the financial audit. The amount of reimbursement was the lesser of 50 percent of the actual cost of the audit or up to \$2,500 based on a sliding scale. SB 1104 eliminates cost reimbursements to any provider. However, the requirements regarding the submission of the financial audit report did not change. **We strongly recommend that non-profit corporations share a copy of this FCARL with the independent auditor who will be performing the non-profit corporation's financial audit.**

AB 2005 - County Letter of Recommendation

As a result of AB 2005 (Chapter 656, Statutes of 2004), W&IC Section 11462(i)(1) was amended to include information for establishing a rate for an existing program at a new location; and, notification by the primary placing county to the host county concerning the intention to issue a letter of recommendation. Specifically, effective January 1, 2005, this statute requires that the department shall not establish a rate for a new program of a new or existing provider, or for an existing program at a new location of an existing provider, unless the provider submits a letter of recommendation from the host county, the primary placing county, or a regional consortium of counties that includes all of the following elements: the program is needed in that county; the provider is capable of effectively and efficiently operating the program; and the provider is willing and able to accept AFDC-FC children for placement who are determined by the placing agency to need the level of care and services that will be provided by the

program. If the letter of recommendation is not being issued by the host county, the primary placing county must notify the host county of its intention to issue the letter and provide the host county with 30 days to respond to the notification and to discuss options with the primary placing county.

If you have any questions regarding the group home or FFA rate process changes, please contact the Foster Care Rates Bureau at (916) 651-9158. If you have any questions regarding financial audits or cost reimbursements, please contact the Program & Financial Audits Bureau at (916) 651-9155.

Sincerely,

GLENN FREITAS, Chief
Foster Care Audits and Rates Branch

c: African American Foster Parent and Group Home Association
Association of Community Services Agency
Association of Minority Adolescents in Residential Care Homes
Association of Minority Adolescents in Residential Care Homes of Los Angeles
County
California Alliance of Child and Family Services
Community Residential Care Association of California
County Welfare Directors Association
Foster Care Alliance
North Valley Children and Family Services, Inc.
Residential Care Providers Association of Los Angeles County